



Saskatchewan
Finance

Annual Report 1999

Extended Health Care Plan

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the fourth Annual Report of the Extended Health Care Plan for the year ending December 31, 1999.

I have the honour to be, Madam,

Your obedient servant,

A handwritten signature in black ink, appearing to read "Eric Cline", with a long horizontal line extending to the right.

Eric Cline
Minister of Finance



Saskatchewan
Public Employees
Benefits Agency

The Honourable Eric Cline
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the fourth Annual Report of the Extended Health Care Plan for the year ending December 31, 1999.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Smith".

Brian Smith
Executive Director

INTRODUCTION

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to certain SGEU and CUPE-600 employees.

As at December 31, 1999, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of SGEU or CUPE-600.

OPERATION OF THE PLAN

ADMINISTRATION

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. The Joint Board of Trustees is responsible for the management and investment of the Fund. The Joint Board of Trustees consists of 4 union members and 4 employer representatives as appointed by the Saskatchewan Public Service Commission and the unions.

The Plan pays premiums to the Canada Life Assurance Company who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

FUNDING

Separate funding agreements are in effect for both SGEU and CUPE-600 employees.

Funding for SGEU members covered is:

- the employer will contribute 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- the employer will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:

- effective September 30, 1996 - 0.07% of straight time annual payroll;
- effective September 30, 1997 - 0.37% of straight time annual payroll;
- effective October 1, 1999 - 0.47% of straight time annual payroll.

Funding for CUPE-600 members covered is:

- the employer will contribute 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective September 30, 1997, the employer will contribute 1.23% of straight time annual payroll
- the employees covered by the PSC/CUPE-600 Collective Agreement will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:
 - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
 - the amount required to make up the difference between the employer's contributions and the cost of monthly premiums for eligible employees, up to 0.15% of straight time annual payroll;
 - effective September 30, 1997, the employer will contribute to the Benefit Plan Surplus fund a further .30% of straight time payroll. In addition, the employer pays the original .07% of straight time payroll previously paid by the employees.
 - effective December 20, 1999, the employer will fund at an annual rate of 0.82% of straight time annual payroll.

BENEFITS

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

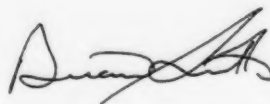
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with the disclosed basis of accounting.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 1999 and the Provincial Auditor's report on these financial statements.



Brian Smith
Executive Director
Public Employees Benefits Agency



Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Regina, Saskatchewan
February 7, 2000

EXTENDED HEALTH CARE PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1999

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan as at December 31, 1999 and the statement of operations for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelloff

Regina, Saskatchewan
February 7, 2000

Wayne Strelloff, CA
Provincial Auditor

**EXTENDED HEALTH CARE PLAN
STATEMENT OF FINANCIAL POSITION**

STATEMENT 1

AS AT DECEMBER 31

	1999			1998
	Extended Health Care Fund	Benefit Plans' Surplus Fund	Total	Total
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 991,104
Due from General Revenue Fund (Note 4)	-	4,707,495	4,707,495	418,909
Employer contributions receivable	281,347	128,221	409,568	320,518
Interest receivable	-	-	-	4,035
Prepaid insurance premiums	386,392	-	386,392	-
	<u>\$ 667,739</u>	<u>\$4,835,716</u>	<u>\$5,503,455</u>	<u>\$1,734,566</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Due to General Revenue Fund (Note 4)	\$1,191,161	\$ -	\$1,191,161	\$ 418,909
Accounts payable	767	-	767	541
Advance from General Revenue Fund	275,000	-	275,000	275,000
Net assets (Deficit) (Statement 2)	<u>(799,189)</u>	<u>4,835,716</u>	<u>4,036,527</u>	<u>1,040,116</u>
	<u>\$ 667,739</u>	<u>\$4,835,716</u>	<u>\$5,503,455</u>	<u>\$1,734,566</u>

(See accompanying notes to the financial statements)

**EXTENDED HEALTH CARE PLAN
STATEMENT OF OPERATIONS**

STATEMENT 2

FOR THE PERIOD ENDED DECEMBER 31

	1999			1998	
	Budget	Extended Health Care Fund	Benefit Plans' Surplus Fund	Total	Total
REVENUES					
Employer contributions	\$6,195,000	\$3,217,670	\$3,218,680	\$6,436,350	\$3,935,131
Interest (Note 4)	50,000	-	118,424	118,424	38,595
	6,245,000	3,217,670	3,337,104	6,554,774	3,973,726
EXPENSES					
Insurance premiums	\$3,320,000	\$3,525,538	\$ -	\$3,525,538	\$3,087,622
Service fees	500	-	-	-	100
Revolving fund administration	48,175	1,328	-	1,328	160
Interest expense (Note 4)	-	31,497	-	31,497	15,169
	3,368,675	3,558,363	-	3,558,363	3,103,051
Surplus (Deficit) for the year	2,876,325	(340,693)	3,337,104	2,996,411	870,675
NET ASSETS (DEFICIT), BEGINNING OF PERIOD	1,040,116	(458,496)	1,498,612	1,040,116	169,441
NET ASSETS (DEFICIT), END OF PERIOD - to statement 1	\$3,916,441	\$ (799,189)	\$4,835,716	\$4,036,527	\$1,040,116

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act*, 1993. The Plan provides extended health care benefits to certain union employees of the Government of Saskatchewan.

The Plan is composed of the Extended Health Care Fund and the Benefit Plans' Surplus Fund.

Extended Health Care Fund

The Extended Health Care Fund receives contributions from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.03% of regular pay for Saskatchewan Government Employees' Union members (SGEU) and 1.23% of regular pay for Canadian Union of Public Employees', Local 600-3 Union members (CUPE). The contribution rates are pursuant to SGEU and CUPE collective bargaining agreements.

The Plan pays premiums out of the Extended Health Care Fund to the Canada Life Assurance Company who provide insured extended health coverage as outlined in an agreement. The Plan's risk is limited to the payment of its premiums. The Government through the Minister of Finance entered into an agreement with Canada Life Assurance Company for a period of 39 months until December 31, 1999. The Government through the Minister of Finance has entered into another agreement effective January 1, 2000 with Group Medical Services to provide insured extended health coverage.

Benefit Plans' Surplus Fund

The Benefit Plans' Surplus Fund (Surplus Fund) was required to be established to meet the terms of the SGEU collective bargaining agreement and the CUPE collective bargaining agreement. The Surplus Fund receives contributions from employers whose participation in the plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- .37% to September 30, 1999 of regular pay of SGEU members
- .47% from October 1, 1999 of regular pay of SGEU members
- .37% to December 19, 1999 of regular pay of CUPE members
- .82% from December 20, 1999 of regular pay of CUPE members

The SGEU Collective Agreement also required a one-time lump sum contribution of \$2,000,000 from the SGEU employers. The Surplus Fund received this lump sum contribution in October 1999 from the Minister of Finance.

The purpose of the Surplus Fund is to off set cost increases arising from extended health care benefits and future dental plan enhancements. The Surplus Fund is administered under directions from the Joint Board of Trustees, made up of equal representation of union members and employers' representatives. The Joint Board of Trustees approves the use of the net assets of the Surplus Fund.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

These financial statements are prepared on the accrual basis of accounting.

3. Cash Flow Statement

A cash flow statement has not been provided since cash flow information is readily apparent from below:

Extended Health Care Fund

Premiums received	\$ 3,172,800
Interest paid	(32,019)
Insurance premiums paid	(3,912,243)
PEBA Revolving Fund administration paid	(790)
Increase in Due to General Revenue Fund	\$ (772,252)

Benefit Plans' Surplus Fund

Premiums received	\$3,174,500
Interest received	<u>122,982</u>
Net increase in Due from General Revenue Fund and Cash	\$3,297,482

4. Due from/to General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Fund are commingled in one bank account. For reporting, the amount due from/to General Revenue Fund to the Benefit Plans' Surplus Fund and from the Extended Health Care Fund are shown separately. The interest income and interest expense are determined as outlined below.

The Plan's bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan as of July 1, 1999. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the fund's average daily bank account balance. The Government's average thirty day borrowing rate in 1999 was 4.78%.

5. Financial Instruments

The Plan's financial instruments include due from/to General Revenue Fund, employer contributions receivable, interest receivable, and accounts payable. Due to the immediate or short-term nature, the fair value of these instruments approximates carrying value.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of

common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

All employer contributions and contributions receivable are from related parties.

The Plan is managed by the Public Employees Benefits Agency (PEBA). The PEBA Revolving Fund charged the Plan \$1,328 for administration.

7. Advance from General Revenue Fund

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance is interest-free with no fixed maturity date.

8. Budget

The Plan submitted the budget to Treasury Board.

9. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

10. Comparative Figures

Certain comparative figures have been restated to conform with the current year's financial statement presentation.